The Fiscal Monitor

A Publication of the Department of Finance

Highlights

March 2009: budgetary deficit of $3.6 billion

There was a budgetary deficit of $3.6 billion in March 2009, compared to a deficit of $1.2 billion in March 2008. Budgetary revenues were down $3.1 billion, or 14.4 per cent, from March 2008, reflecting declines in tax revenues. Program expenses were down $0.6 billion, or 2.8 per cent, from March 2008, largely reflecting lower operating expenses of departments and agencies. Public debt charges were $0.2 billion lower than in March 2008.

April 2008 to March 2009: budgetary deficit of $2.2 billion

For the April 2008 to March 2009 period, there was a budgetary deficit of $2.2 billion, compared to a surplus of $11.4 billion reported in the same period of 2007–08. Budgetary revenues decreased by $9.2 billion, or 3.8 per cent, primarily reflecting declines in corporate income tax and goods and services tax (GST) revenues, partially offset by growth in personal income tax and other revenues. Program expenses were up $6.8 billion, or 3.5 per cent, due to higher transfer payments. Public debt charges were down $2.3 billion on a year-over-year basis, reflecting a lower average effective interest rate on the stock of interest-bearing debt.

Actions to support the availability of credit under the Government's Extraordinary Financing Framework are reflected in the financial requirement. There was a financial requirement of $89.5 billion in the April to March period of 2008–09 compared to a financial source of $13.6 billion in the same period of 2007–08. This year-over-year difference reflects $55.0 billion in initial purchases of insured mortgage pools through Canada Mortgage and Housing Corporation under the Insured Mortgage Purchase Program, as well as the Budget 2007 announcement that the Government would meet all of the borrowing needs of Canada Mortgage and Housing Corporation, the Business Development Bank of Canada and Farm Credit Canada through direct lending.

The budgetary balance through March 2009 is $1.1 billion lower than projected for the year as a whole in Budget 2009. An update of the fiscal outlook for 2008–09 will be provided in the Government's June 2009 Report to Canadians on Canada's Economic Action Plan.

March 2009

There was a budgetary deficit of $3.6 billion in March 2009, compared to a deficit of $1.2 billion in March 2008.

Budgetary revenues decreased by $3.1 billion, or 14.4 per cent, from March 2008.

- Personal income tax revenues decreased by $1.3 billion, or 12.4 per cent, reflecting lower employment and personal income tax reductions announced in Canada's Economic Action Plan.
- Corporate income tax revenues were down $2.1 billion, or 46.8 per cent, reflecting large refunds issued in the month.
- Other income tax revenues—withholdings from non-residents—decreased by $0.1 billion, or 23.9 per cent.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

- Excise taxes and duties were down $0.2 billion, or 9.2 per cent. GST revenues declined by $0.3 billion, or 16.7 per cent. Customs import duties and sales and excise taxes were each up $12 million, and revenues from the Air Travellers Security Charge were unchanged.
- Employment Insurance (EI) premium revenues were up $0.1 billion, or 3.5 per cent. The premium rate was kept stable at $1.73 per $100 of insurable earnings for 2009.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, proceeds from the sales of goods and services, returns on investments, foreign exchange revenues and miscellaneous revenues, were up $0.5 billion.

Program expenses in March 2009 were $19.8 billion, down $0.6 billion, or 2.8 per cent, from March 2008, reflecting lower operating expenses of departments and agencies, partially offset by higher transfer payments.

In March 2009, transfer payments were up $0.5 billion, or 3.8 per cent, from March 2008.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $0.9 billion, or 17.6 per cent. Elderly benefits increased by $0.2 billion, or 5.8 per cent. EI benefits increased by $0.7 billion, or 55.9 per cent, reflecting significantly higher regular benefits. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased by $5 million.
- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (Canada Health Transfer and Canada Social Transfer), fiscal transfers, transfers to provinces on behalf of Canada's cities and communities, and Alternative Payments for Standing Programs, were down $1.0 billion, or 22.3 per cent, reflecting transfers under the Community Development Trust announced in Budget 2008, which were included in the March 2008 results.
- Subsidies and other transfers increased by $0.6 billion, or 21.3 per cent, reflecting increases across a number of departments and agencies including the Canadian International Development Agency, Indian and Northern Affairs Canada, Natural Resources Canada and Infrastructure Canada.

Other program expenses consist of operating expenses of Crown corporations, departments and agencies, including National Defence, and also reflect the ongoing assessment of the Government's liabilities. These expenses decreased by $1.0 billion, or 13.8 per cent, over the prior year.

Public debt charges were $0.2 billion lower than in March 2008, as the impact of the increase in the stock of interest-bearing debt was more than offset by a decrease in the average effective interest rate on that stock.

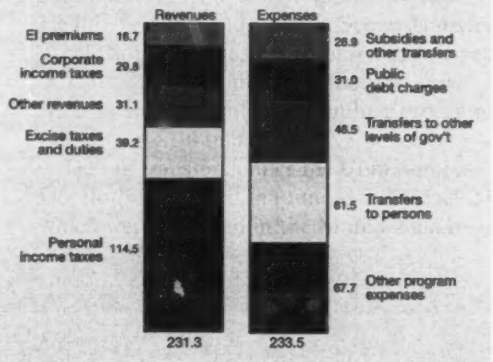
April 2008 to March 2009

For the April 2008 to March 2009 period, there was a budgetary deficit of $2.2 billion, compared to a surplus of $11.4 billion reported during the same period of 2007–08.

Budgetary revenues decreased by $9.2 billion, or 3.8 per cent, to $231.3 billion.

- Personal income tax revenues rose $2.6 billion, or 2.4 per cent.

Revenues and expenses
(April 2008 to March 2009)



- Corporate income tax revenues were down $11.1 billion, or 27.2 per cent, reflecting both weaker profits and the impact of ongoing tax reductions.
- Other income tax revenues rose $0.5 billion, or 8.1 per cent.
- Excise taxes and duties decreased by $4.3 billion, or 10.0 per cent. GST revenues were down $4.4 billion, or 15.0 per cent, reflecting the 1-percentage-point reduction in the GST rate effective January 1, 2008. Customs import duties increased by $0.2 billion, sales and excise taxes were down $0.1 billion, and revenues from the Air Travellers Security Charge were down $3 million.
- EI premium revenues were up $0.2 billion, or 1.4 per cent, as the decline in the premium rate from $1.80 to $1.73 per $100 of insurable earnings, effective January 1, 2008, was more than offset by gains in employment and wages and salaries.
- Other revenues rose $3.0 billion, or 13.5 per cent. As noted in the October *Fiscal Monitor*, other revenues (and corresponding operating expenses) for 2007–08 have been restated. This adjustment has no net impact on the budgetary balance.

Program expenses for April 2008 to March 2009 were $202.6 billion, up $6.8 billion, or 3.5 per cent, from the same period the previous year, reflecting higher transfer payments, offset slightly by a decrease in other program expenses.

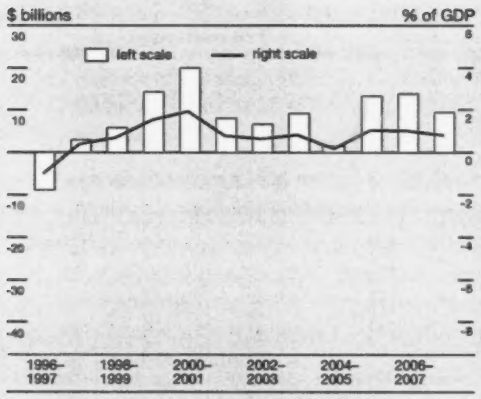
Transfer payments for April 2008 to March 2009 were up $7.0 billion, or 5.5 per cent, from the same period the previous year.

- Major transfers to persons were up $3.4 billion, or 5.9 per cent. Elderly benefits increased by $1.4 billion, or 4.5 per cent, and EI benefits by $2.0 billion, or 13.9 per cent. Children's benefits increased by 0.4 per cent.
- Major transfers to other levels of government were up $1.5 billion, or 3.4 per cent, primarily reflecting legislated growth in the Canada Health Transfer, Canada Social Transfer and Equalization.
- Subsidies and other transfers were up $2.0 billion, or 8.1 per cent, mainly reflecting increases in payments related to international assistance, support for labour market training, and higher transfers to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords.

Other program expenses decreased by $0.2 billion, or 0.4 per cent, from the previous year's level.

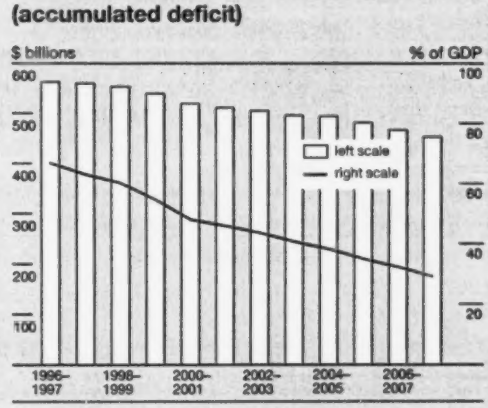
Public debt charges decreased by $2.3 billion, or 6.8 per cent, reflecting lower interest rates.

Budgetary balance



Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



Sources: Department of Finance and Statistics Canada.

Financial requirement of $89.5 billion for April 2008 to March 2009

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary deficit of $2.2 billion and a requirement of $87.2 billion from non-budgetary transactions, there was a financial requirement of $89.5 billion in the April to March period of 2008–09 compared to a financial source of $13.6 billion in the same period of 2007–08. This year-over-year difference reflects the Budget 2007 announcement that the Government would meet all of the borrowing needs of Canada Mortgage and Housing Corporation, the Business Development Bank of Canada and Farm Credit Canada through direct lending in order to reduce overall borrowing costs and improve the liquidity of the government securities market. The difference also reflects $55.0 billion in initial purchases of insured mortgage pools through Canada Mortgage and Housing Corporation under the Insured Mortgage Purchase Program to support the availability of longer-term credit.

Net financing activities up $123.3 billion

The Government financed this financial requirement of $89.5 billion and increased its cash balances by $33.8 billion by increasing unmatured debt by $123.3 billion. The increase in debt was achieved largely through the issuance of treasury bills and marketable bonds. Cash balances at the end of March 2009 stood at $45.0 billion, $33.8 billion above their level at the end of March 2008. The increase in cash balances over the prior year mainly reflects increased balances at the Bank of Canada to support the Bank's operations to provide liquidity to financial markets and to cover some of the Government's own funding needs for the Insured Mortgage Purchase Program.

Table 1
Summary statement of transactions

	March		April to March	
	2008	2009	2007–08	2008–09
	($ millions)			
Budgetary transactions				
Revenues	21,794	18,645	240,446	231,294
Expenses				
Program expenses	-20,325	-19,760	-195,790	-202,575
Public debt charges	-2,668	-2,450	-33,229	-30,965
Budgetary balance (deficit/surplus)	-1,199	-3,565	11,427	-2,246
Non-budgetary transactions	-225	-4,572	2,160	-87,246
Financial source/requirement	-1,424	-8,137	13,587	-89,492
Net change in financing activities	7,663	14,553	-23,548	123,284
Net change in cash balances	6,239	6,416	-9,961	33,792
Cash balance at end of period			11,243	45,030

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2
Budgetary revenues

	March			April to March		
	2008	2009	Change	2007–08	2008–09	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	10,234	8,970	-12.4	111,818	114,465	2.4
Corporate income tax	4,445	2,364	-46.8	40,923	29,793	-27.2
Other income tax	377	287	-23.9	5,672	6,129	8.1
Total income tax	15,056	11,621	-22.8	158,413	150,387	-5.1
Excise taxes and duties						
Goods and services tax	1,608	1,340	-16.7	29,628	25,181	-15.0
Customs import duties	325	337	3.7	3,855	4,057	5.2
Sales and excise taxes	670	682	1.8	9,639	9,554	-0.9
Air Travellers Security Charge	36	36	0.0	392	389	-0.8
Total excise taxes and duties	2,639	2,395	-9.2	43,514	39,181	-10.0
Total tax revenues	17,695	14,016	-20.8	201,927	189,568	-6.1
Employment Insurance premiums	1,795	1,858	3.5	16,476	16,708	1.4
Other revenues	2,304	2,771	20.3	22,043	25,018	13.5
Total budgetary revenues	21,794	18,645	-14.4	240,446	231,294	-3.8

Note: Totals may not add due to rounding.

Table 3
Budgetary expenses

	March			April to March		
	2008	2009	Change	2007–08	2008–09	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Transfers to persons						
Elderly benefits	2,700	2,856	5.8	31,879	33,307	4.5
Employment Insurance benefits	1,296	2,021	55.9	14,192	16,161	13.9
Children's benefits	1,027	1,032	0.5	11,939	11,989	0.4
Total	5,023	5,909	17.6	58,010	61,457	5.9
Transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	1,806	2,016	11.6	21,474	22,759	6.0
Canada Social Transfer	829	890	7.4	9,840	10,568	7.4
Total	2,635	2,906	10.3	31,314	33,327	6.4
Fiscal transfers	1,976	837	-57.6	15,541	15,138	-2.6
Canada's cities and communities	30	100	233.3	778	971	24.8
Alternative Payments for Standing Programs	58	-191	-429.3	-2,720	-2,974	9.3
Total	4,699	3,652	-22.3	44,913	46,462	3.4
Subsidies and other transfers						
Agriculture and Agri-Food	113	58	-48.7	2,261	1,543	-31.8
Foreign Affairs and International Trade	853	1,128	32.2	3,365	3,889	15.6
Health	353	344	-2.5	2,198	2,347	6.8
Human Resources and Skills Development	182	118	-35.2	1,820	2,253	23.8
Indian Affairs and Northern Development	387	601	55.3	4,789	5,144	7.4
Industry	591	333	-43.7	2,346	2,251	-4.0
Other	542	1,082	99.6	8,143	9,522	16.9
Total	3,021	3,664	21.3	24,922	26,949	8.1
Total transfer payments	12,743	13,225	3.8	127,845	134,868	5.5
Other program expenses						
Crown corporation expenses						
Canadian Broadcasting Corporation	59	147	149.2	1,104	1,169	5.9
Canada Mortgage and Housing Corporation	169	161	-4.7	2,018	2,220	10.0
Other	288	379	31.6	3,861	4,297	11.3
Total	516	687	33.1	6,983	7,686	10.1
Defence	1,609	1,722	7.0	17,671	18,581	5.1
All other departments and agencies	5,457	4,126	-24.4	43,291	41,440	-4.3
Total other program expenses	7,582	6,535	-13.8	67,945	67,707	-0.4
Total program expenses	20,325	19,760	-2.8	195,790	202,575	3.5
Public debt charges	2,668	2,450	-8.2	33,229	30,965	-6.8
Total budgetary expenses	22,993	22,210	-3.4	229,019	233,540	2.0

Note: Totals may not add due to rounding.

Table 4

The budgetary balance and financial source/requirement

	March		April to March	
	2008	2009	2007–08	2008–09
		($ millions)		
Budgetary balance (deficit/surplus)	-1,199	-3,565	11,427	-2,246
Non-budgetary transactions				
Capital investing activities	-617	-849	-2,803	-4,163
Other investing activities	-721	-4,911	-5,299	-74,381
Pension and other liabilities	440	401	5,985	4,761
Other activities				
Accounts payable, receivables, accruals and allowances	1,752	341	58	-7,181
Foreign exchange activities	-1,311	299	1,879	-9,409
Amortization of tangible capital assets	232	147	2,340	3,127
Total other activities	673	787	4,277	-13,463
Total non-budgetary transactions	-225	-4,572	2,160	-87,246
Financial source/requirement	-1,424	-8,137	13,587	-89,492

Note: Totals may not add due to rounding.

Table 5

Financial source/requirement and net financing activities

	March		April to March	
	2008	2009	2007–08	2008–09
		($ millions)		
Financial source/requirement	-1,424	-8,137	13,587	-89,492
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-759	10,071	-4,107	41,520
Treasury bills	6,100	3,900	-17,100	75,500
Canada Savings Bonds	75	75	-1,995	-539
Other	-1	0	-700	-519
Total	5,415	14,046	-23,902	115,962
Foreign currency borrowings	-31	-505	-875	883
Total	5,384	13,541	-24,777	116,845
Cross-currency swap revaluation	2,161	646	-329	5,110
Unamortized discounts on debt issues	127	408	446	1,468
Obligations related to capital leases	-9	-42	1,112	-139
Net change in financing activities	7,663	14,553	-23,548	123,284
Change in cash balance	6,239	6,416	-9,961	33,792

Note: Totals may not add due to rounding.

Table 6

Condensed statement of assets and liabilities

	March 31, 2008	March 31, 2009	Change
		($ millions)	
Liabilities			
Accounts payable and accrued liabilities	110,463	100,154	-10,309
Interest-bearing debt			
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	253,550	295,070	41,520
Treasury bills	116,936	192,436	75,500
Canada Savings Bonds	13,068	12,529	-539
Other	1,042	523	-519
Subtotal	384,596	500,558	115,962
Payable in foreign currencies	9,498	10,381	883
Cross-currency swap revaluation account	-1,420	3,690	5,110
Unamortized discounts and premiums on market debt	-6,213	-4,745	1,468
Obligations related to capital leases	4,236	4,097	-139
Total unmatured debt	390,697	513,981	123,284
Pension and other liabilities			
Public sector pensions	137,371	139,606	2,235
Other employee and veteran future benefits	47,901	50,420	2,519
Other liabilities	5,895	5,902	7
Total pension and other liabilities	191,167	195,928	4,761
Total interest-bearing debt	581,864	709,909	128,045
Total liabilities	692,327	810,063	117,736
Financial assets			
Cash and accounts receivable	82,878	113,542	30,664
Foreign exchange accounts	42,299	51,708	9,409
Loans, investments and advances (net of allowances)	50,869	125,250	74,381
Total financial assets	176,046	290,500	114,454
Net debt	516,281	519,563	3,282
Non-financial assets	58,644	59,680	1,036
Federal debt (accumulated deficit)	457,637	459,883	2,246

Note: Totals may not add due to rounding.

For inquiries about this publication, contact Chris Forbes at 613-995-6391.
Ce document est également offert en français.
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